Opinion

CLIMATE ACTION

Carbon accounting: what it is and why your company should start doing it

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Normalising carbon accounting could hasten the move to Net Zero
Image: Photo by Chris LeBoutillier on Unsplash

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- **Carbon accounting solutions are essential for any company to understand where there is the most potential for emission reduction.**

Global surface temperatures have warmed 1.1°C since pre-industrial times, due to greenhouse gas emissions (GHG). Climate change is already leading to water scarcity, food shortages, price spikes, severe impacts on farming and fishing and mass species extinctions.

The UNEP *Emissions Gap Report 2022* states that there is "no credible pathway to 1.5°C in place" and "current pledges for action by 2030, if delivered in full, would mean a rise in global heating of about 2.5°C and catastrophic extreme weather worldwide." In other words, companies need to accelerate efforts to massively reduce GHG emissions, primarily their carbon (CO2) emissions.

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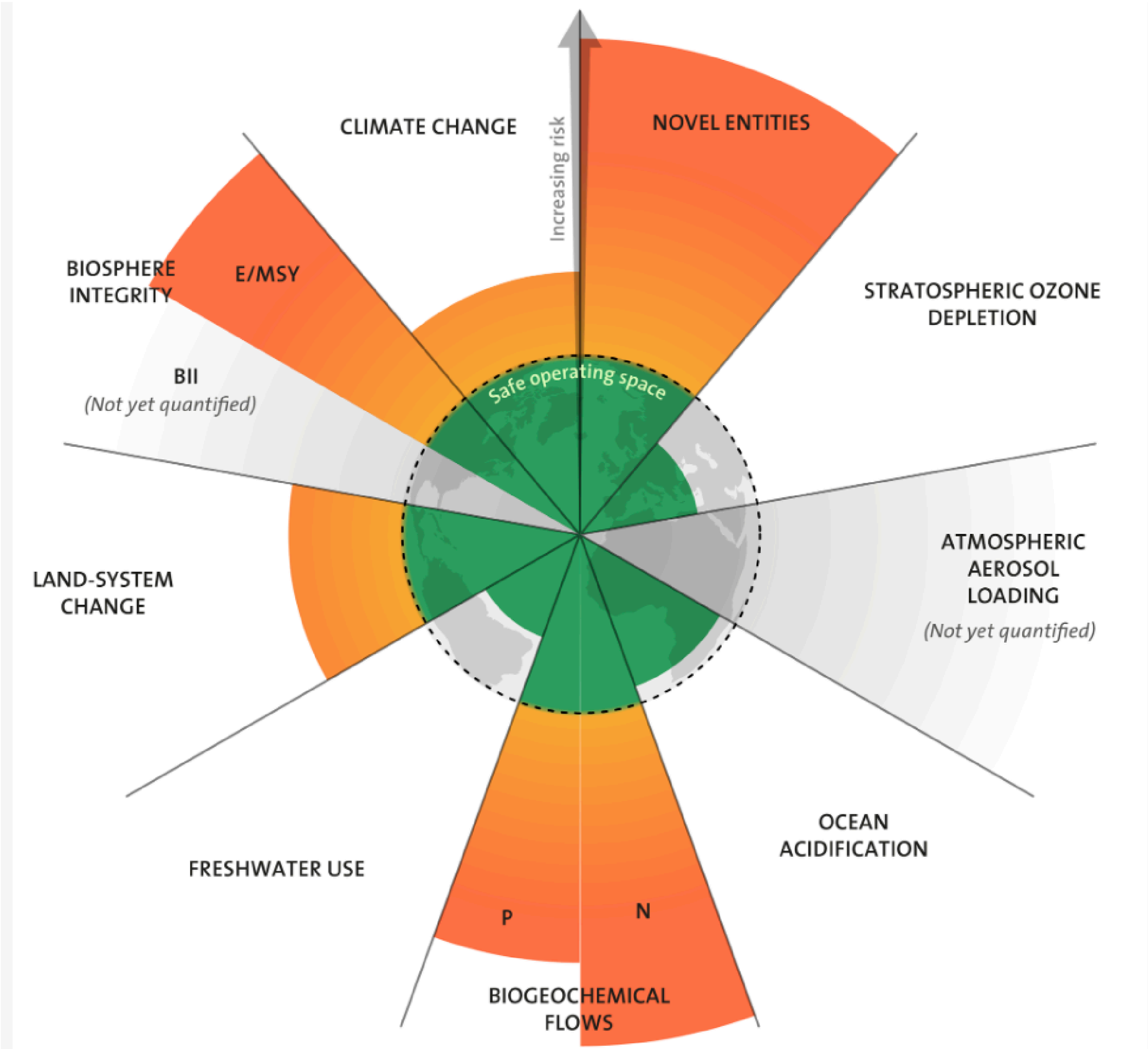
Operate within planetary boundaries

Greenhouse gas emissions from human activities are an undeniable source of climate change, as stated in the 2021 IPCC report. To ensure the resilience and ·bility of earth's systems, we need to operate within our planetary boundaries. Only ·doing so can we avoid irreversible damage. The next few years are critical, with

option.



Planetary boundary for external pollutants. Image: Stockholm University

Mounting regulatory pressures

(CSRD), which has recently been adopted. CSRD means that large companies are also expected to report on their carbon emissions and SMEs are likely to be included.

The plans of the EU go beyond GHG reporting, as auditing and validation of the results by an auditor are expected. In the US, reporting on GHG is mandatory for large GHG emitters and several states have their own more demanding legislation in place, such as California's and Massachusetts' Global Warming Solutions Acts. With more countries following suit globally, staying ahead of the curve on GHG reporting, particularly carbon accounting, has become critical to any company.

Long-term business viability

Customers are becoming increasingly aware of companies' impact on the environment and are demanding change. Taking care of your carbon footprint and showing your dedication to sustainability makes sense from a business perspective. For example, a survey conducted last year found that for 83% of consumers, it is very important to buy from a company that operates sustainably.

Likewise, ethical consumerism doubled in a decade from €55 billion to €117 billion in the UK alone. Being a front-runner can help you make sustainability one of your competitive advantages, which translates into attracting Generation Z and Millennial

Where to begin?

While many companies have already put a sustainability function in place tasked with sustainability reporting, most are still yet to get started. DevelopMinded has published the *Making Sense of Carbon Accounting Report 2022*, which provides insights on how to get started with carbon accounting and a comparison of 17 carbon accounting solutions for reducing your company's carbon footprint.

This report will help save time and money in choosing the right solution for your company's specific needs in terms of the most important features, how the solution works and for which type of organization it is most suitable. Carbon accounting solutions are essential for any company to understand where there is the most potential for emission reduction, where it can implement initiatives to reduce emissions and track the performance to quantify the impact that has been made.

organization that cannot be directly measured. These are called scope 3 emissions. They pose the most significant challenge for companies. Solutions to address these emissions from a carbon accounting perspective are still developing. The World Economic Forum has recently launched the *Industry Net Zero Accelerator* initiative on this topic.

Carbon accounting and sustainability transformation

Carbon accounting is a means to an end. It only deals with collecting and categorising the right data and providing relevant insights on where companies stand and where improvements can be made. A data-driven approach is essential to empower decision-makers to accelerate sustainability transformation efforts.

It is also important to note that carbon accounting is not the only sustainability action that matters. The climate crisis, unfortunately, marks only one of several planetary boundaries we have exceeded, for which GHG emissions and Net Zero are only one part of the sustainability transformation.

The views expressed in this article are those of the author alone and not the World Economic Forum.

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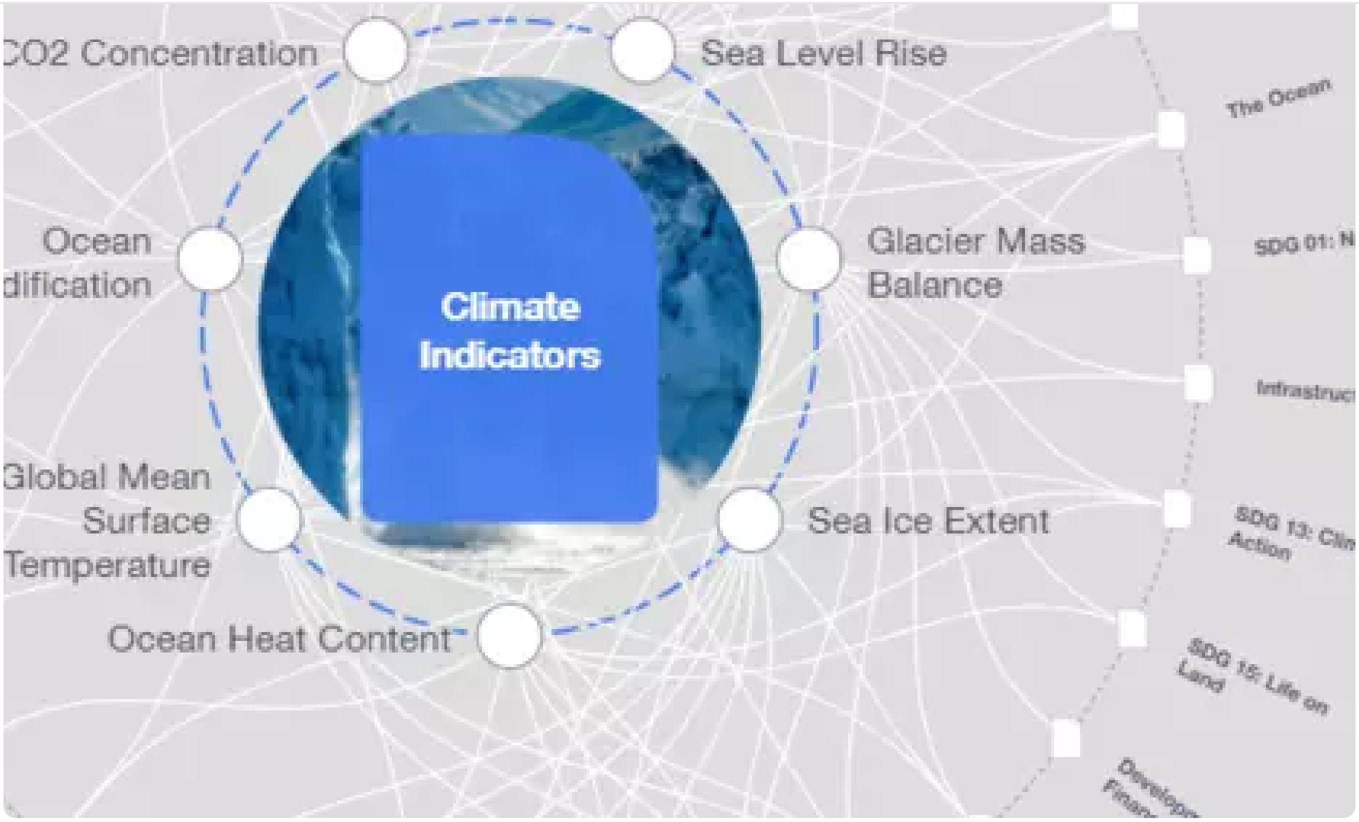

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